

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 EB-11 AID-20 IGA-02 TRSE-00

OMB-01 CIAE-00 INR-10 NSAE-00 RSC-01 SPC-03 L-03

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FM AMEMBASSY BUENOS AIRES

TO AMEMBASSY LA PAZ

INFO AMEMBASSY BRASILIA

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

AMEMBASSY ASUNCION

SECSTATE WASHDC 4996

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PASS USDA/FAS FOR GRAIN & FEED DIV FROM AGATTACHE

E.O. 22652: N/A

TAGS: EAGR, EAID, BR, AR, CI, BL

SUBJECT: AGRICULTURE: WHEAT AND FLOUR PRICES

REF LA PAZ 180 AND LA PAZ 2806

1. FOLLOWING INFORMATION KEYED TO QUESTIONS IN REFTEL:

A. WHEAT FLOUR AT MILL PRICED AT ABOUT U\$S 97 PER TON.

B. NATIONAL GRAIN BOARD, SOLE PURCHASER OF WHEAT AT \$67 PER TON, RESELLS WHEAT AT \$57 PER TON TO MILLS SO THAT RETAIL PRICE OF BREAD MAINTAINED BELOW RETAIL CEILING PRICE.

C. REVENUE FROM WHEAT EXPORTS EXCHANGED AT COMPOSITE RATE OF 8.65 PESOS TO 1.00 US DOLLAR. THIS IS COMBINATIN BASED ON 26 PERCENT OF COMMERCIAL RATE (5 PESOS EQUALS US 1.00) AND 74 PERCENT OF FINANCIAL RATE (9.93 PESOS EQUALS US 1.00).

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ALSO, WHEAT EXPORTS TAXED AT RATE OF 36.55 PERCENT WHICH IS ABOUT US 67.62 PER TON AT PRESENT WORLD PRICE LEVEL.

D. AS NATIONAL GRAIN BOARD CONTROLS ALL WHEAT SUPPLIES ALL
WHEAT EXPECTED TO BE MARKETED BOTH LOCALLY AND ABROAD ONLY
BY GRAIN BOARD DURING 1973/74 SEASON. IF PRIVATE TRADERS WERE
PERMITTED TO EXPORT WHEAT GRAIN BOARD WOULD LIKELY SELL THEM
WHEAT SUPPLIES AT FOB POSITION ONLY.

E. WHEAT/WHEAT FLOUR IMPORTS BY PRIVATE TRADERS NOT PERMITTED BY
GOA. WHEN IMPORTS NEEDED NATIONAL GRAIN BOARD ISSUES STATE TENDER.

F. NO SUBSIDY ON WHEAT/WHEAT FLOUR EXPORTS. IN FACT, REVERSE
SUBSIDY IN FORM OF LOWER EXCHANGE RATES AND HIGH EXPORT TAXES
USED (SEE C ABOVE).

2. SINCE PRICE OF WHEAT FIXED AT ROUGHLY ONE-THIRD OF WORLD
PRICE WHEAT/WHEAT FLOUR USUALLY EXPORTED IN CONTRABAND TO
BOLIVIA, PARAGUAY AND URUGUAY.

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